

**MINNESOTA AMERICAN LEGION AND  
AUXILIARY HEART RESEARCH FOUNDATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

**MINNESOTA AMERICAN LEGION AND  
AUXILIARY HEART RESEARCH FOUNDATION  
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YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

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## ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Minnesota American Legion and Auxiliary  
Heart Research Foundation  
St. Paul, Minnesota

We have reviewed the accompanying balance sheets of Minnesota American Legion and Auxiliary Heart Research Foundation (a not-for-profit organization) as of September 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Minnesota American Legion and Auxiliary Heart Research Foundation.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*LarsonAllen LLP*  
LarsonAllen LLP

Minneapolis, Minnesota  
December 14, 2010



**MINNESOTA AMERICAN LEGION AND  
AUXILIARY HEART RESEARCH FOUNDATION  
BALANCE SHEETS  
SEPTEMBER 30, 2010 AND 2009  
(SEE ACCOUNTANTS' REVIEW REPORT)**

|  | <u>2010</u>             | <u>2009</u>             |
|--|-------------------------|-------------------------|
| <b>ASSETS</b>  |                         |                         |
| <b>CURRENT ASSETS</b>                                      |                         |                         |
| Cash and Cash Equivalents                                  | \$ 73,739               | \$ 3,592                |
| Interest and Dividends Receivable                          | 10,323                  | 10,566                  |
| Funds Held by The American Legion, Department of Minnesota | 2,179                   | 7,392                   |
| Prepaid Excise Taxes                                       | -                       | 132                     |
| Total Current Assets                                       | <u>86,241</u>           | <u>21,682</u>           |
| <br><b>INVESTMENTS</b>                                     | <br><u>2,024,323</u>    | <br><u>2,036,509</u>    |
| Total Assets   | <br><u>\$ 2,110,564</u> | <br><u>\$ 2,058,191</u> |
| <br><b>LIABILITIES AND NET ASSETS</b>                      |                         |                         |
| <b>CURRENT LIABILITIES</b>                                 |                         |                         |
| Accrued Expenses   | \$ 5,890                | \$ 5,910                |
| Accrued Excise Taxes                                       | 1,365                   | -                       |
| Total Current Liabilities                                  | <u>7,255</u>            | <u>5,910</u>            |
| <br><b>NET ASSETS - UNRESTRICTED</b>                       | <br><u>2,103,309</u>    | <br><u>2,052,281</u>    |
| Total Liabilities and Net Assets                           | <br><u>\$ 2,110,564</u> | <br><u>\$ 2,058,191</u> |

See accompanying Notes to Financial Statements.

**MINNESOTA AMERICAN LEGION AND  
AUXILIARY HEART RESEARCH FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009  
(SEE ACCOUNTANTS' REVIEW REPORT)**

|  | <u>2010</u>                | <u>2009</u>                |
|--|----------------------------|----------------------------|
| <b>REVENUE</b>                               |                            |                            |
| Investment Income:                           |                            |                            |
| Interest and Dividends                       | \$ 48,785                  | \$ 59,180                  |
| Realized Gain (Loss) on Investments          | 106,864                    | (126,781)                  |
| Unrealized Gain on Investments               | 8,697                      | 67,369                     |
| Other Income                                 | 2,098                      | 5,665                      |
| Total Revenue                                | <u>166,444</u>             | <u>5,433</u>               |
| <b>EXPENSE</b>                               |                            |                            |
| Program Expenses:                            |                            |                            |
| Contributions                                | 100,623                    | 112,883                    |
| Support Services:                            |                            |                            |
| General and Administrative:                  |                            |                            |
| Investment Trust Fees                        | 8,083                      | 7,516                      |
| Excise Taxes                                 | 1,497                      | 156                        |
| Professional Fees                            | 3,870                      | 3,916                      |
| Miscellaneous                                | 1,343                      | 563                        |
| Total Support Services                       | <u>14,793</u>              | <u>12,151</u>              |
| Total Expense                                | <u>115,416</u>             | <u>125,034</u>             |
| <b>CHANGE IN UNRESTRICTED NET ASSETS</b>     | 51,028                     | (119,601)                  |
| Unrestricted Net Assets - Beginning of Year  | <u>2,052,281</u>           | <u>2,171,882</u>           |
| <b>UNRESTRICTED NET ASSETS - END OF YEAR</b> | <u><u>\$ 2,103,309</u></u> | <u><u>\$ 2,052,281</u></u> |

See accompanying Notes to Financial Statements.

**MINNESOTA AMERICAN LEGION AND  
AUXILIARY HEART RESEARCH FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009  
(SEE ACCOUNTANTS' REVIEW REPORT)**

|   | 2010      | 2009         |
|---|-----------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |           |              |
| Change in Unrestricted Net Assets   | \$ 51,028 | \$ (119,601) |
| Adjustments to Reconcile Change in Unrestricted Net Assets<br>to Net Cash Used by Operating Activities: |           |              |
| Realized (Gain) Loss on Sale of Investments   | (106,864) | 126,781      |
| Unrealized Gain on Investments  | (8,697)   | (67,369)     |
| (Increase) Decrease in Current Assets:  |           |              |
| Interest and Dividends Receivable   | 243       | 1,209        |
| Other Receivables   | 5,213     | (1,031)      |
| Prepaid Excise Taxes  | 132       | 156          |
| Decrease in Current Liabilities:  |           |              |
| Accrued Expenses  | (20)      | (156)        |
| Net Cash Used by Operating Activities   | (57,600)  | (60,011)     |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |           |              |
| Proceeds from Sale of Investments   | 536,525   | 795,229      |
| Proceeds from Maturity of Investments   | -         | 155,325      |
| Purchases of Investments  | (408,778) | (915,360)    |
| Net Cash Provided by Investing Activities   | 127,747   | 35,194       |
| <br><b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | 70,147    | (24,817)     |
| Cash and Cash Equivalents - Beginning of Year   | 3,592     | 28,409       |
| <br><b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | \$ 73,739 | \$ 3,592     |

See accompanying Notes to Financial Statements.

**MINNESOTA AMERICAN LEGION AND  
AUXILIARY HEART RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009  
(SEE ACCOUNTANTS' REVIEW REPORT)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Purpose**

The purpose of the Organization is to provide assistance to Heart Research. It is the Organization's policy to annually distribute 5% of the average fair market value of the investments.

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization.

The Organization does not have any board designated (within the unrestricted net assets category), temporarily restricted, or permanently restricted net assets at September 30, 2010 and 2009.

**Cash and Cash Equivalents**

The Organization considers all highly liquid temporary investments with original maturities of three months or less to be cash equivalents.

**Funds Held by The American Legion, Department of Minnesota**

The American Legion, Department of Minnesota holds a portion of the Organization's funds. Certain expenses are paid from these funds as incurred. The American Legion, Department of Minnesota is a related party through common board members.

**Investments**

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are valued at fair market value. Unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method.

**MINNESOTA AMERICAN LEGION AND  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009  
(SEE ACCOUNTANTS' REVIEW REPORT)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the balance sheet.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Tax Exempt Status**

The Organization is classified as a private foundation under 501(c)(3) of the Internal Revenue Code. As such, contributions by donors are tax deductible, subject to certain limits, and investment income is subject to excise tax. As a private foundation, the Organization is required to make distributions during the next year, based on related charitable purpose income and expenses during the previous year. The Organization has a distributable contribution carryover of \$100,325 and \$100,623 at September 30, 2010 and 2009, respectively. Excise tax expense of \$1,497 and \$156 was incurred during years ended September 30, 2010 and 2009, respectively.

The Organization has adopted the income tax standard regarding the recognition and measurement of uncertain tax positions. The Organization has no current obligation for unrelated business income tax. The Organization's tax returns are open to examinations for the years 2006-2009.

**Fair Value Measurement**

The Organization accounts for its investments at fair value and has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**MINNESOTA AMERICAN LEGION AND  
AUXILIARY HEART RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009  
(SEE ACCOUNTANTS' REVIEW REPORT)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement (Continued)**

Financial assets and liabilities recorded on the Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge fund, and real assets.

The following table presents the fair value hierarchy for the balance of the assets of the Organization measured at fair value on a recurring basis as of September 30:

|                         | 2010                |                   |             |                     |
|-------------------------|---------------------|-------------------|-------------|---------------------|
|                         | Level 1             | Level 2           | Level 3     | Total               |
| <b>INVESTMENTS</b>      |                     |                   |             |                     |
| Corporate Stocks        | \$ 1,069,414        | \$ -              | \$ -        | \$ 1,069,414        |
| Mutual Funds - Equities | 249,293             | -                 | -           | 249,293             |
| Fixed Income - Bonds    | -                   | 705,616           | -           | 705,616             |
|                         | <u>\$ 1,318,707</u> | <u>\$ 705,616</u> | <u>\$ -</u> | <u>\$ 2,024,323</u> |
|                         |                     |                   |             |                     |
|                         | 2009                |                   |             |                     |
|                         | Level 1             | Level 2           | Level 3     | Total               |
| <b>INVESTMENTS</b>      |                     |                   |             |                     |
| Corporate Stocks        | \$ 1,047,651        | \$ -              | \$ -        | \$ 1,047,651        |
| Mutual Funds - Equities | 215,247             | -                 | -           | 215,247             |
| Fixed Income - Bonds    | -                   | 773,611           | -           | 773,611             |
|                         | <u>\$ 1,262,898</u> | <u>\$ 773,611</u> | <u>\$ -</u> | <u>\$ 2,036,509</u> |

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 14, 2010, the date the financial statements were available to be issued.

Subsequent to year end, the Organization transferred all assets to the Minnesota Medical Foundation.

**MINNESOTA AMERICAN LEGION AND  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009  
(SEE ACCOUNTANTS' REVIEW REPORT)**

**NOTE 2 INVESTMENTS**

Investments are comprised of the following at September 30:

|                         | 2010                |                     | 2009                |                     |
|-------------------------|---------------------|---------------------|---------------------|---------------------|
|                         | Cost                | Fair Value          | Cost                | Fair Value          |
| Corporate Stocks        | \$ 932,407          | \$ 1,069,414        | \$ 878,014          | \$ 1,047,651        |
| Mutual Funds - Equities | 260,495             | 249,293             | 260,495             | 215,247             |
| Fixed Income - Bonds    | 648,362             | 705,616             | 723,638             | 773,611             |
|                         | <u>\$ 1,841,264</u> | <u>\$ 2,024,323</u> | <u>\$ 1,862,147</u> | <u>\$ 2,036,509</u> |